



February 1, 2007

Summary of Financial Results for Nine Months Ended December 31, 2006 (Consolidated)

Company name: **KOSÉ Corporation**
 Stock code: 4922
 Stock exchange listing: Tokyo Stock Exchange, First Section
 Company domicile: 3-6-2, Nihonbashi, Chuo-ku, Tokyo, 103-8251, Japan
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1. Accounting Policies in the Preparation of Quarterly Financial Results

- | | |
|---|------|
| 1) Adoption of simplified accounting method: | None |
| 2) Change in accounting method in current fiscal year: | None |
| 3) Change in scope of consolidation and use of equity method: | Yes |
| Description: Consolidation (Newly added): 2 | |

2. Financial Results for Nine Months Ended December 31, 2006 (April 1, 2006 – December 31, 2006)

(1) Consolidated Results of Operations

Rounded down to million yen

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Nine months ended Dec. 2006	133,380	(0.7)	12,100	(25.4)	12,415	(25.9)
Nine months ended Dec. 2005	134,358	4.8	16,226	0.2	16,752	1.5
(Reference) Year ended Mar. 2006	177,810	4.6	19,561	5.4	20,590	8.9

	Net income		Net income per share	Diluted net income per share
	Million yen	YoY change (%)	Yen	Yen
Nine months ended Dec. 2006	5,779	(25.4)	95.56	-
Nine months ended Dec. 2005	7,746	(4.3)	140.71	-
(Reference) Year ended Mar. 2006	9,986	6.1	180.00	-

Notes:

- 1) The percentages shown for net sales, operating income, ordinary income and net income represent changes from the same period in the previous year.
- 2) After adjusting for the 1-to-1.1 stock split conducted on April 1, 2006, retroactively adjusted for stock splits to the beginning of FY2005, net income per share was 127.91 yen for the nine months ended December 31, 2005, and 163.64 yen for the fiscal year ended March 31, 2006.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2006	169,714	101,249	57.2	1,616.79
As of Dec. 31, 2005	170,236	94,327	55.4	1,713.40
(Reference) As of Mar. 31, 2006	171,975	95,352	55.4	1,730.68

Note: After adjusting for the 1-to-1.1 stock split conducted on April 1, 2006, retroactively adjusted for stock splits to the beginning of FY2005, net assets per share was 1,557.64 yen as of December 31, 2005, and 1,573.34 yen as of March 31, 2006.

(3) Consolidated Cash Flow Position

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
Nine months ended Dec. 2006	4,351	896	(4,759)	32,060
Nine months ended Dec. 2005	2,243	600	(376)	28,699
(Reference) Year ended Mar. 2006	10,653	(5,375)	(93)	31,386

3. Forecast for the Fiscal Year Ending March 31, 2007 (April 1, 2006 - March 31, 2007)

There are no revisions to the forecast announced on November 8, 2006.

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	180,000	16,000	7,800

Reference: Estimated net income per share for the fiscal year ending March 31, 2007: 129.20 yen

Cautionary statement

Forecasts regarding future performance in these materials are based judgments made in accordance with information available at the time this report was prepared. Readers should be aware that actual results and events might differ substantially from these forecasts.

Consolidated Results of Operations

Financial Results for Nine Months Ended December 2006 (April 1, 2006 – December 31, 2006)

Millions of yen, %

Operating segment	Nine months ended Dec. 2005		Nine months ended Dec. 2006		Change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	99,373	74.0	99,772	74.8	399	0.4
Cosmetaries	32,436	24.1	31,296	23.5	(1,140)	(3.5)
Other	2,548	1.9	2,311	1.7	(237)	(9.3)
Total net sales	134,358	100.0	133,380	100.0	(978)	(0.7)

Item	Nine months ended Dec. 2005		Nine months ended Dec. 2006		Change	
	Amount	%	Amount	%	Amount	%
Operating income	16,226	12.1	12,100	9.1	(4,126)	(25.4)
Ordinary income	16,752	12.5	12,415	9.3	(4,337)	(25.9)
Net income	7,746	5.8	5,779	4.3	(1,967)	(25.4)

During the first three quarters of the fiscal year, Japan's economy continued to post moderate growth as rising corporate capital expenditures and improving employment picture offset concerns about crude oil prices and other uncertainties. In the cosmetics industry, unit volume and monetary sales of cosmetics in Japan remained flat year-on-year during the first eleven months of 2006, according to statistics compiled by the Ministry of Economy, Trade and Industry.

In this environment, KOSÉ conducted distinctive brand marketing and strengthened moves to support sales of brands designed for specific sales channels, such as cosmetics stores, department stores and GMSs. In addition, KOSÉ took many other growth-oriented measures that included the launch of the ESPRIQUE PRECIOUS brand in December 2006, which targets a broad range of stores, regardless of the type of sales channel, that offer counseling to their customers.

In the cosmetics business, there were strong performances by INFINITY products, which are sold exclusively at GMSs and drug stores, by ALBION CO., LTD., which sells luxury products. In addition, the ESPRIQUE PRECIOUS brand had a strong start. On the other hand, sales of KOSÉ brand products were down year on year due to a sales promotion one year earlier that boosted sales.

Overseas, effective sales strategies raised awareness of brands and efforts to increase the number of stores handling KOSÉ products continued. As a result, sales were higher, mainly in China and Korea.

In the cosmetaries business, sales were lower due to intense competition and because the initial round of sales of new products introduced one year ago have run their course. Growth continued in the number of stores handling RIMMEL make-up products, which debuted in September 2006. Sales also benefited from the popularity of SOFTYMO products, Coen Rich Q10 and other distinctive products.

In the other business, there was a decline in orders for the manufacture of OEM products. In the amenities category, which mainly involves sales through sales agents, net sales were lower despite promotional activities to increase sales to increase sales.

As a result of the above factors, operating income fell 25.4% year-on-year to 12,100 million yen, as net sales declined 0.7% to 133,380 million yen. Ordinary income fell 25.9% to 12,415 million yen. Quarterly net income fell 25.4% year-on-year to 5,779 million yen.

1. Summary Consolidated Balance Sheets

Unit: Millions of yen

Account	3Q FY2005 As of Dec. 31, 2005	3Q FY2006 As of Dec. 31, 2006	Change	FY2005 As of March 31, 2006
Assets				
I. Current assets				
Cash and time deposits	23,345	23,674	1,753	21,920
Notes and accounts receivable	28,077	27,501	903	26,597
Short-term investments in securities	13,598	16,980	(4,500)	21,481
Inventories	25,300	24,284	1,522	22,762
Deferred tax assets-current	4,173	3,798	(196)	3,994
Other current assets	4,398	4,352	(830)	5,183
Allowance for doubtful accounts	(311)	(346)	(20)	(326)
Total current assets	98,582	100,245	(1,368)	101,613
II. Fixed assets				
Property, plant and equipment				
Buildings and structures	12,587	11,198	(531)	11,730
Machinery and automotive equip.	2,762	2,562	(130)	2,693
Furniture and fixtures	6,267	6,364	(56)	6,421
Land	18,026	18,048	5	18,043
Construction in progress	52	418	327	90
Total property, plant and equipment	39,696	38,593	(385)	38,978
Intangible assets				
Software	3,997	4,110	(644)	4,754
Other intangible assets	517	437	(1)	439
Total intangible assets	4,514	4,547	(646)	5,194
Investments and others				
Investments in securities	10,272	9,288	679	8,608
Deferred tax assets-non-current	14,946	14,024	(710)	14,734
Others	2,567	3,366	153	3,213
Allowance for doubtful accounts	(343)	(351)	16	(367)
Total investments and others	27,443	26,327	139	26,188
Total fixed assets	71,654	69,469	(892)	70,361
Total assets	170,236	169,714	(2,261)	171,975

Unit: Millions of yen

Account	3Q FY2005 As of Dec. 31, 2005	3Q FY2006 As of Dec. 31, 2006	Change	FY2005 As of March 31, 2006
Liabilities				
I. Current liabilities				
Notes and accounts payable	15,894	15,315	2,432	12,882
Short-term borrowings	4,944	6,201	934	5,266
Accounts payable-other	5,620	6,555	(852)	7,408
Accrued expenses	4,362	4,103	(2,743)	6,847
Accrued income taxes	4,123	2,146	(3,206)	5,353
Other current liabilities	4,199	4,349	1,551	2,798
Total current liabilities	39,144	38,671	(1,885)	40,556
II. Long-term liabilities				
Long-term debt	1,500	-	(1,500)	1,500
Accrued employees' retirement benefits	28,346	26,310	(1,556)	27,867
Accrued officers' severance benefits	3,176	3,358	156	3,202
Other long-term liabilities	194	124	(33)	157
Total long-term liabilities	33,217	29,793	(2,934)	32,727
Total liabilities	72,362	68,464	(4,819)	73,284
Minority interests	3,546	-	-	3,338
Shareholders' equity				
I. Common stock	4,848	-	-	4,848
II. Capital surplus	6,391	-	-	6,391
III. Consolidated retained earnings	81,442	-	-	83,682
IV. Net unrealized holding gain (loss) on other securities	322	-	-	234
V. Foreign currency translation adjustments	1,425	-	-	307
VI. Treasury stock	(102)	-	-	(111)
Total shareholders' equity	94,327	-	-	95,352
Total liabilities, minority interests and shareholders' equity	170,236	-	-	171,975
Net assets				
I. Shareholders' equity				
Common stock	-	4,848	-	-
Capital surplus	-	6,391	-	-
Consolidated retained earnings	-	86,962	-	-
Treasury stock	-	(1,826)	-	-
Total shareholders' equity	-	96,375	-	-
II. Valuation and translation adjustments				
Net unrealized holding gain (loss) on other securities	-	345	-	-
Deferred hedge gain (loss)	-	6	-	-
Foreign currency translation adjustments	-	360	-	-
Total valuation and translation adjustments	-	712	-	-
III. Minority interests	-	4,161	-	-
Total net assets	-	101,249	-	-
Total liabilities and net assets	-	169,714	-	-

2. Summary Consolidated Statements of Income

Unit: Millions of yen

Account	3Q FY2005 Apr. 1, 2005 - Dec. 31, 2005		3Q FY2006 Apr. 1, 2006 - Dec. 31, 2006		Change		FY2005 Apr. 1, 2005 - Mar. 31, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	134,358	100.0	133,380	100.0	(978)	99.3	177,810	100.0
Cost of sales	32,010	23.8	32,982	24.7	972	103.0	43,114	24.2
Gross profit	102,348	76.2	100,397	75.3	(1,950)	98.1	134,696	75.8
SG&A expenses	86,121	64.1	88,296	66.2	2,175	102.5	115,135	64.8
Operating income	16,226	12.1	12,100	9.1	(4,126)	74.6	19,561	11.0
Non-operating income								
Interest and dividend income	186		170		(15)		301	
Foreign exchange gains	275		96		(178)		655	
Other non-operating income	182		170		(11)		260	
Total non-operating income	644	0.5	438	0.3	(205)	68.0	1,217	0.7
Non-operating expenses								
Interest expense	45		36		(8)		45	
Other non-operating expenses	72		86		13		143	
Total non-operating expenses	118	0.1	123	0.1	5	104.3	188	0.1
Ordinary income	16,752	12.5	12,415	9.3	(4,337)	74.1	20,590	11.6
Extraordinary income	987	0.7	9	0.0	(977)	1.0	2,043	1.1
Extraordinary loss*	2,795	2.1	212	0.1	(2,582)	7.6	3,931	2.2
Net income before income taxes	14,944	11.1	12,212	9.2	(2,732)	81.7	18,701	10.5
Income taxes-current	6,945	5.1	4,708	3.6	(2,236)	67.8	8,222	4.6
Income taxes-deferred	(48)	(0.0)	827	0.6	875	-	400	0.2
Minority interests-income	301	0.2	897	0.7	596	298.2	92	0.1
Net income	7,746	5.8	5,779	4.3	(1,967)	74.6	9,986	5.6

* Extraordinary loss includes 1,832 million yen of impairment loss in 3Q FY2005 and FY2005.

3. Summary Consolidated Statements of Cash Flows

Unit: Millions of yen

Account	3Q FY2005 Apr. 1, 2005 - Dec. 31, 2005	3Q FY2006 Apr. 1, 2006 - Dec. 31, 2006
I. Cash flows from operating activities		
Net income before income taxes	14,944	12,212
Depreciation	3,594	3,757
Impairment loss	1,832	-
Increase (decrease) in allowance for doubtful accounts	(72)	2
Increase (decrease) in accrued employees' retirement benefits	(1,492)	(1,559)
Increase (decrease) in accrued officers' severance benefits for director	297	156
Loss (gain) on disposal of fixed assets	(257)	202
Interest and dividend income	(186)	(170)
Loss (gain) on sale of investments in securities	(525)	-
Decrease (increase) in notes and accounts receivable	(3,527)	(842)
Decrease (increase) in inventories	(2,749)	(1,482)
Increase (decrease) in notes and accounts payable	(272)	1,823
Others	(1,647)	(1,962)
Subtotal	9,938	12,135
Interests and dividends received	193	170
Interests paid	(39)	(36)
Income taxes paid	(7,847)	(7,918)
Net cash provided by operating activities	2,243	4,351
II. Cash flows from investing activities		
Decrease (increase) in securities	4,499	6,966
Payment for acquisition of property, plant and equipment	(4,886)	(2,674)
Proceeds from sale of property, plant and equipment	774	24
Payment for acquisition of intangible assets	(279)	(366)
Payment for acquisition of investments in securities	(228)	(511)
Proceeds from sale of investments in securities	723	500
Others	(2)	(3,041)
Net cash provided by investing activities	600	896
III. Cash flows from financing activities		
Increase (decrease) in short-term borrowings	1,549	(553)
Proceeds from long-term debt	1,500	-
Repayment of long-term debt	(1,500)	-
Net change from acquisition and sale of treasury stock	(25)	(1,715)
Payment of dividends	(1,899)	(2,490)
Net cash used in financing activities	(376)	(4,759)
IV. Effect of exchange rate changes on cash and cash equivalents	162	184
V. Increase (decrease) in cash and cash equivalents	2,630	673
VI. Cash and cash equivalents at beginning of period	26,068	31,386
VII. Cash and cash equivalents at end of period	28,699	32,060